

**State Water Infrastructure Authority**  
**Meeting Date: July 13-14, 2022**  
**Agenda Item T – Final Priority Rating System for**  
**Community Development Block Grant-Infrastructure (CDBG-I) Projects**

---

**Division of Water Infrastructure Staff Report**

**Background**

The Community Development Block Grant - Infrastructure (CDBG-I) program is a federally funded community development program in the Department of Housing and Urban Development (HUD) designed to provide grant funds to non-entitlement communities (i.e., incorporated municipalities under 50,000 and counties under 200,000 in population) to carry out housing and community development activities.

The CDBG-I Program is designed to help communities create healthy living environments through financing public water and sewer infrastructure and to mitigate public and environmental health problems in areas where the percentage of low-to-moderate income (LMI) persons is at least 51 percent.

All the Division's funding programs follow a similar Priority Rating System (PRS) consisting of four categories:

1. Category 1 – Project Purpose
2. Category 2 – Project Benefits
3. Category 3 – System Management
4. Category 4 – Affordability / Financial Situation

The current system provides a consistent and transparent methodology for prioritization that aligns with the Authority's Master Plan and with statutory requirements. The prioritization system supports applicants in their continued efforts toward long-term utility viability and resiliency.

At the Authority's April 13-14, 2022 meeting, the Division proposed changes to the Priority Rating System and the Authority approved the Priority Rating System, with a minor change under 2.F: System Merger or Regionalization, to go out for public review and comments.

The Division opened the public comment period on May 16, 2022. The public comment period closed on June 15, 2022. The following summarizes the comments received, provides staff response to each comment and staff recommendation for action on the PRS.

**Public Comments and Staff Response**

Comment: Line Item 1.B states "Project will resolve failed or failing infrastructure issues." The previous priority rating system and guidance defines failed infrastructure, but there is no clear definition of "failing" infrastructure. Please provide guidance as to how the Division will determine what is defined as "failing"

---

infrastructure and what will be required for submittal to claim these points.

Response: Application guidance documents will define “failing” infrastructure and describe what will be the required documentation to receive these priority points. **No change from Draft PRS.**

Comment: Line Item 1.C states “Project will rehabilitate or replace infrastructure including by a regionalization project.” The line item is unclear. Provide additional information as to why entities are given additional prioritization instead of increased funding similar to the previous ARPA Plan. Please provide additional detail as to why the “including by a regionalization project” would be added if the project type is rehabilitation or replacement making the project eligible if regionalization is or is not a part of the project.

Response: The additional language is intended to clarify that projects that remove infrastructure in need of rehabilitation or replacement as part of a regionalization process are eligible for these priority points, in addition to projects that do not include a regionalization process. Application guidance documents will describe what will be the required documentation to receive these priority points. **No change from Draft PRS.**

Comment: Line Item 1.C.1 states “Treatment units, pumps and/or pump stations to be rehabilitated or replaced are greater than 20 years old, OR lines, storage tanks, drinking water wells or intake structures to be rehabilitated or replaced are greater than 40 years old OR lead service lines.” What percentage of the project construction costs must be associated with lead service line replacement to claim these points?

Response: Costs associated with lead service line replacement will be eligible to count towards the 50 percent cost threshold to address old infrastructure without any additional documentation of the age of the lead service lines. **No change from Draft PRS.**

Comment: Line Item 1.C.1 provides additional points for projects that earn priority under Line Item 1.C when the infrastructure being replaced or rehabilitated is older than certain threshold values. Lead service line replacement is not a natural match for Line Item 1.C.1. Consider making it a separate Line Item 1.C.2.

Response: The use of lead service lines is more likely to be found in older cities and homes built before 1986. Therefore, they are deemed as old infrastructure and eligible for these priority points. No additional documentation of the age of the lead service lines will be required. **No change from Draft PRS.**

Comment: Should lead service line inventory and replacement be a separate line item?

Response: The placement of lead service lines within line item 1.C.1 achieves the purpose of prioritizing funding for lead service line replacements, equivalent to prioritization of replacing old infrastructure. A separate IUP will be developed for the dedicated BIL Lead Service Line Replacement funding that is beyond the scope of this IUP and priority rating system. **No change from Draft PRS.**

Comment: Page C-1, will the Division consider adding an age threshold for computer-based system components such as SCADA so that these elements can receive age project purpose points?

Response: Application guidance document provides an age threshold for computer-based elements to qualify for line item 1.C.1 points (more than 20 years old). **No change from Draft PRS.**

Comment: Line item 2.F.1, what is the Division's definition of merger?

Response: G.S. 159G defines merger as: *"The consolidation of two or more water and/or sewer systems into one system with common ownership, management, and operation."* **No change from Draft PRS.**

Comment: Line item 2.F.2, what is the Division's definition of regionalization?

Response: G.S. 159G defines regionalization as: *"The physical interconnecting of an eligible entity's wastewater system to another entity's wastewater system for the purposes of providing regional treatment or the physical interconnecting of an eligible entity's public water system to another entity's water system for the purposes of providing regional water supply."* **No change from Draft PRS.**

Comment: Line Item 2.F.2 states "Project includes system regionalization." Please clarify that an applicant can claim points for this line item to complete a project as a result of previous regionalization efforts. These points were previously removed from the priority rating system due to documentation and evaluation issues when evaluating previously regionalized systems when claiming these points. Is it the Division's intent to penalize systems that have previously completed regionalization work?

Response: The intent is to incentivize new and additional regionalization efforts. Application guidance document will provide information on what documentation is needed to claim these points. **No change from Draft PRS.**

Comment: Line Item 2.H.3 states "Project addresses an emerging compound without a MCL." Please confirm what percentage of the project must address an emerging compound without a MCL to claim these points.

Response: Project benefit points may be awarded if any portion of a proposed project meets the documentation requirements as established in the application guidance document. **No change from Draft PRS.**

Comment: Line Item 2.H.3 has been revised to state "Project addresses an emerging compound without a MCL." Please confirm that to obtain these points there only has to be an emerging compound present and no level will be defined.

Response: Application guidance document will establish thresholds as needed to qualify for line item 2.H.3 points. The change in the language for line item 2.H.3 allows the Division to adapt more quickly to changing regulatory and health-based concentration thresholds. **No change from Draft PRS.**

Comment: Line item 2.H.3, addressing an emerging compound without a maximum contaminant level (MCL), should be awarded more points, perhaps 20. Many emerging compounds will be without an MCL for some time but still pose a threat to water resources and human health. Therefore, projects addressing this issue should receive a substantial portion of the 35 total points available for the Project Benefits section.

Response: The proposed priority points are a direct result of discussions and recommendations from the State Water Infrastructure Authority (SWIA) to establish priority for the different project purposes. The IUP and PRS are for projects that may be funded out of the base SRFs or the BIL General Supplemental SRFs. Dedicated funding for projects addressing emerging contaminants will soon be provided, which will further prioritize these types of projects beyond the scope of this IUP and PRS. It is not the recommendation of staff to prioritize projects addressing an emerging contaminant without an MCL above projects that address MCL violations in a PRS that is used for both sets of projects. MCLs are established to determine the levels of regulated contaminants that might cause health effects and years of formal rulemaking to establish that control of the regulated contaminant is a cost-effective public health measure. Exceeding an MCL means the water is not "safe" as defined under the Safe Drinking Water Act. Prioritization for projects addressing emerging contaminants that will be funded from the dedicated funding for emerging contaminants will be developed and communicated at a later date. **The suggestion to adjust points will be shared with the Authority for their consideration. Staff does not recommend a change to the Draft PRS.**

Comment: Line Item 2.H.3 "Project addresses an emerging compound without an MCL". The draft proposes to prioritize the mere detected presence of an emerging compound the same as the exceedance of a maximum contaminant level (MCL). MCLs are established after rigorous studies to determine the levels of regulated contaminants that might cause health effects (with an adequate margin of safety), and years of formal rulemaking to establish that control of the regulated contaminant is a cost-effective public health measure.

In contrast, being an "emerging contaminant" means that a compound is suspected of causing health effects at some level - a level that may be much higher than the detection limit. Detecting an emerging contaminant means that the emerging contaminant is present. It reflects detection technology more than a health effect.

Exceeding an MCL means the water is not "safe" as defined under the Safe Drinking Water Act. Detecting an emerging contaminant is similar to detecting a regulated compound a level below the MCL. These are different levels of potential threat to health and deserve different priority.

Response: Removal of "above a health advisory level" as an explicit requirement from line item 2.H.3 in the drinking water priority rating system allows the Division to more quickly adapt to changing regulatory and health-based concentration thresholds that can be updated in the application guidance document between

funding rounds. The application guidance document will still establish thresholds needed to qualify for line item 2.H.3 points, including, for instance, exceedance above newly-established Health Advisory Levels. The comment suggests different levels of prioritization for projects addressing emerging contaminants above detection levels versus above higher levels that may indicate potential health effects. The application guidance document will address this by establishing thresholds for line item 2.H.3. **No change from Draft PRS.**

**Comment:** Line Item 2.H.3 has been revised to state “Project addresses an emerging compound without a MCL.” Please confirm that to obtain these points there only has to be an emerging compound present and no level will be defined. Also, Page 2 mentions “emerging contaminants.” Is the Division using the terms emerging compound, emerging contaminant, and emerging pollutant (from DWSRF) synonymously? Please confirm if different definitions for pollutants, contaminants, and compounds will be used. EPA uses and defines the term “emerging contaminant” in the March 8th Implementation of the Clean Water and Drinking Water State Revolving Fund Provisions of the Bipartisan Infrastructure Law Memorandum in Attachment 1, Appendices B and C.

**Response:** The application guidance document will still establish thresholds needed to qualify for line item 2.H.3 points, including, for instance, exceedance above newly-established Health Advisory Levels. The terms emerging compounds, emerging contaminants, and emerging pollutants were being used synonymously. **The PRS are now updated to use the term “emerging contaminant” consistently.**

**Comment:** The Division should provide additional prioritization to address contaminants exceeding the updated health advisory levels (HAL) released by EPA on 6/15/22. Addressing contaminants (i.e., PFAS, PFOA, PFOS, PFBS, HFPO, GenX, etc.) exceeding the updated HAL will present unprecedented challenges to utilities and have overwhelming financial and public health impacts.

**Response:** The application guidance document will establish thresholds needed to qualify for line items 2.H.3 points for different emerging contaminants, including potentially the newly-established Health Advisory Levels. **No change from Draft PRS.**

**Comment:** Line item 2.N, resiliency and critical system functions, applicants should be allowed to receive cumulative points if they satisfy more than one of these criteria. While some of these line items overlap, others are unrelated. For instance, applicants could be incentivized to only consider cybersecurity measures instead of the location within the floodplain because they will only receive one set of points under this line item. In our work to ensure resilience is factored into all applications, we believe this small change could provide significant benefits.

**Response:** Project benefit points for resiliency may be awarded if any portion of a proposed project meets the documentation requirements. Allowing cumulative points for these line items would provide a significant advantage to projects whose primary

purpose was not to provide resiliency. **The suggestion to make the 2.N points cumulative will be shared with the Authority for their consideration. Staff does not recommend a change to the Draft PRS.**

Comment: We are pleased to see this priority rating system add line items 2.N, resiliency, and critical system functions, and 4.B, monthly combined utility rates. These will help update this system in line with our vision of increased resiliency and equitable distribution of funds.

Response: Thank you. **No change from Draft PRS.**

### **Proposed Changes to the Draft Priority Rating System**

#### **Line Item 2.H.3**

Replace the term “emerging compound” with “emerging contaminant”.

#### **Changes to Points**

Public comments suggested changes to the points for 2.H.3 and 2.N. Public comments are included in this staff report. Staff does not recommend changes to the points.

### **Staff Recommendation**

- Division staff recommends the Authority approve the Priority Rating System for the CDBG-I Program as shown in the attachment.

## 2022 PRIORITY RATING SYSTEM FOR ALL CDBG-I PROJECTS

Instructions: For each line item, mark “X” to claim the points for that line item. Be sure that your narrative includes justification for every line item claimed. At the end of each category, provide the total points claimed for each program in the subtotal row for that category. Then add the subtotals from each category and enter the Total of Points for All Categories in the last line. Note that some categories have a maximum allowed points that may be less than the total of individual line items.

Line Item #	Category 1 – Project Purpose (Points will be awarded for only one Project Purpose)	Claimed Yes/No	Points
1.A	Project will consolidate a nonviable drinking water or wastewater utility		15
1.B	Project will resolve failed <u>or failing</u> infrastructure issues		<del>5</del> 15
1.C	Project will rehabilitate or replace infrastructure, <u>including by a regionalization project</u>		10
1.C.1	Treatment units, pumps and/or pump stations to be rehabilitated or replaced are greater than 20 years old, <b>OR</b> lines, storage tanks, drinking water wells or intake structures to be rehabilitated or replaced are greater than 40 years old, <u>OR lead service lines</u>		5
1.D-1.E	Reserved for other programs		
1.F	Project will extend service for the following specific reasons:		
1.F.1	Extend water and/or sewer service to new low-income housing, or to an area where existing LMI homes are being rehabilitated, <b>OR</b>		15
1.F.2	Connect existing LMI homes to water and/or sewer service		10
1.G- 1.I	Reserved for other programs		
<b>Maximum points for Category 1 – Project Purpose</b>			15
<b>Subtotal claimed points for Category 1 – Project Purpose</b>			
Line Item #	Category 2 – Project Benefits	Claimed Yes/No	Points
2.A	Project provides a specific environmental or public health benefit		15
2.A.1	<u>Project eliminates 20% or more failing septic systems, malfunctioning onsite wastewater systems, or private wells that are dry or contaminated.</u>		5
2.B-2.C	Reserved for other programs		

## 2022 PRIORITY RATING SYSTEM FOR ALL CDBG-I PROJECTS

<b>2.D</b>	Project addresses promulgated but not yet effective regulations		3
<b>2.E</b>	Project directly addresses enforcement documents		
2.E.1	Project directly addresses an EPA Administrative Order for a local government applicant located in a Tier 1 county, or addresses an existing or pending SOC, or a DEQ Administrative Order, <b>OR</b>		5
2.E.2	Project directly resolves a Notice of Violation or Notice of Deficiency		3
<b>2.F</b>	<u>System Merger or Regionalization</u>		
<u>2.F.1</u>	Project includes system merger <b>OR</b>		10
<u>2.F.2</u>	<u>Project includes system regionalization</u>		<u>5</u>
<b>2.G</b>	Project addresses low pressure in a public water supply system		5
<b>2.H</b>	Project addresses contamination of a water supply source:		
2.H.1	Project addresses acute contamination of a water supply source, <b>OR</b>		15
2.H.2	Project addresses contamination of a water source other than acute, <b>OR</b>		10
<u>2.H.3</u>	<u>Project addresses an emerging contaminant without an MCL</u>		<u>10</u>
<b>2.I</b>	Reserved for other programs		
<b>2.J</b>	Water loss in system to be rehabilitated or replaced is 30% or greater		10
<b>2.K</b>	Project provides a public water system interconnection		
2.K.1	Project creates a new interconnection between systems not previously interconnected <b>OR</b>		5
2.K.2	Project creates an additional or larger interconnection between two systems already interconnected which allows one system's public health water needs to be met during an emergency		3
2.K.3	Reserved for other programs		
<b>2.L</b>	Water and sewer project is located within the same footprint		5
<b>2.M</b>	Project directly addresses a moratorium on a local government unit system		7
<b>2.N</b>	<u>Project provides resiliency for critical system functions</u>		



## 2022 PRIORITY RATING SYSTEM FOR ALL CDBG-I PROJECTS

<u>2.N.1</u>	<u>Project relocates infrastructure from inside the 100-year floodplain to outside the 500-year floodplain OR</u>		<u>8</u>
<u>2.N.2</u>	<u>Project relocates infrastructure from inside the 100-year floodplain to outside the 100-year floodplain OR</u>		<u>5</u>
<u>2.N.3</u>	<u>Project relocates infrastructure from between the 100-year and 500-year floodplains to outside a 500-year floodplain, OR</u>		<u>3</u>
<u>2.N.4</u>	<u>Project fortifies or elevates infrastructure within floodplain, OR</u>		<u>4</u>
<u>2.N.5</u>	<u>Project improves ability to assure continued operation during flood events, OR</u>		<u>4</u>
<u>2.N.6</u>	<u>Project downsizes infrastructure related to buyouts, OR</u>		<u>4</u>
<u>2.N.7</u>	<u>Project provides redundancy/resiliency for critical treatment and/or transmission/distribution system functions including cybersecurity and/or backup electrical power source</u>		<u>3</u>
2.O - 2.R	Reserved for other programs		
<b>2.S</b>	Project provides site work and new water/wastewater infrastructure, including house or apartment connections, to new low-to-moderate income housing		5
<b>Maximum points for Category 2 – Project Benefits</b>			<b>20</b>
<b>Subtotal claimed points for Category 2 – Project Benefits</b>			
<b>Line Item #</b>	<b>Category 3 – System Management</b>	<b>Claimed Yes/No</b>	<b>Points</b>
<b>3.A</b>	Capital Planning Activities		
3.A.1	Applicant has implemented an Asset Management Plan as of the date of application, <b>OR</b>		10
3.A.2	Applicant has a current Capital Improvement Plan (CIP) that spans at least 10 years and proposed project is included in the plan		3
<b>3.B</b>	System Operating Ratio is greater than or equal to 1.00 based on a current audit, or is less than 1.00 and unit cost is greater than 2.5% <b>of MHI</b>		5
<b>3.C</b>	Applicant has an approved Source Water Protection Plan and/or a Wellhead Protection Plan		5
<b>3.D</b>	Applicant has implemented a water loss reduction program		5
3.E	Reserved for other programs		

## 2022 PRIORITY RATING SYSTEM FOR ALL CDBG-I PROJECTS

<b>Maximum points for Category 3 – System Management</b>			<b>15</b>
<b>Subtotal claimed points for Category 3 – System Management</b>			
Line Item #	Category 4 – Financial Situation	Claimed Yes/No	Points
4.A	Reserved for other programs		
<u>4.B</u>	<u>Current Monthly Combined Utility Rates at 5,000 Usage</u>		
<u>4.B.1</u>	<u>Greater than \$79 OR</u>		<u>4</u>
<u>4.B.2</u>	<u>Greater than \$90 OR</u>		<u>6</u>
<u>4.B.3</u>	<u>Greater than \$107 OR</u>		<u>8</u>
<u>4.B.4</u>	<u>Greater than \$129</u>		<u>10</u>
<u>4.C - 4.D</u>	<u>Reserved for other programs</u>		
<b>4.E</b>	Poverty Rate		Calculati on; Max 15 pts
<b>4.F</b>	Low-to-Moderate Income		Calculati on; Max <del>20</del> <u>25</u> pts
<b>Maximum points for Category 4 – Financial Situation</b>			<b>50</b>
<b>Subtotal claimed points for Category 4 – Financial Situation</b>			
<b>Total Points Claimed for All Categories</b>			